

News Release

Senator Pete V. Domenici

FOR IMMEDIATE RELEASE

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DOMENICI INTRODUCES MEDICARE+ CHOICE REIMBURSEMENT BILL

WASHINGTON -- U.S. Senator Pete Domenici, chairman of the Senate Budget Committee, today unveiled bipartisan legislation to provide critical funding to save nearly a million seniors from being dropped from their Medicare-HMO plans, including nearly a third of all New Mexico seniors enrolled in Medicare+ Choice plans.

Domenici and Senator Ron Wyden (D-Ore.) today introduced the **Medicare Geographic Fair Payment Act of 2000**, which authorizes a three-pronged approach to address the problem of Medicare-HMO plans around the nation pulling out the Medicare+ Choice program due to the inequity of the reimbursement system. The bill is cosponsored by Senators Charles Grassley (R-Iowa) and Bob Kerrey (D-Neb.).

"The ultimate goal of this bill is to ensure that our seniors have the choice to join a Medicare+ Choice plan if they so choose," Domenici said. "Medicare+ Choice plans can only succeed if the proper resources and support for the program are present. They are not, and we have come to the conclusion that immediate action is needed to infuse the necessary resources into the program to ensure its continued viability."

"The Medicare+ Choice program has proven very capable of providing seniors with their choice of health care and an array of expanded benefits like prescription drug coverage," Domenici said. "Thousands of New Mexico seniors have every right to be upset with the prospect of losing this coverage. This bill is a bid to fix the problem as soon as possible."

The Domenici-Wyden bill incorporates a three-pronged approach to address reimbursement inequities and instability in the Medicare+ Choice program by:

1. Establishing a new Minimum Payment Floor of \$525 a month per beneficiary in 2001 for all counties in Metropolitan Statistical Areas (MSA's) with populations exceeding 250,000;
2. Increasing the Payment Floor for Rural Areas by raising the minimum payment floor for all other counties from the current \$415 to \$475 in 2001; and,
3. Correcting the Hospital Wage Index to benefit low-cost regions, by ending current blanket percentage (71 percent) of all hospitals' costs, in favor of requiring the wage adjustment be made only to each individual hospital's actual labor costs.

The bill would cost \$700 million overall in FY2001, and \$3.7 billion over five years (2001-06.) For New Mexico, the bill would provide \$34 million in 2001 under the Medicare+ Choice provisions, and \$170 million over five years.

The Health Care Finance Administration (HCFA) recently reported that nearly 1 million seniors will lose their Medicare+ Choice coverage by 2001, possibly forcing them to return to the traditional Medicare Fee-for-Service Program. Of this group, an estimated 15,000 New Mexico seniors—a third of the 45,000 enrolled in Medicare+ Choice programs—will be dropped.

In July, Presbyterian Healthcare Services, Lovelace Health Systems, QualMed Plans for Health and St. Joseph Healthcare in New Mexico informed HCFA of their intention to withdraw from participation in the Medicare+ Choice program.

Domenici is sharply critical of the Department of Health and Human Services and HCFA for its management of the Medicare+ Choice program.

“From the beginning of the program, the Clinton administration has worked against these plans by first limiting reimbursement rates in the 1997 enacting legislation and then by imposing a burdensome regulatory structure. More than anything, mismanagement and lack of support for the program by the HCFA bureaucracy should shoulder the blame for our seniors losing their Medicare+ Choice coverage,” Domenici said.

Under HCFA’s administration, current reimbursement rates around the country vary widely, with private health maintenance organizations dropping out of the Medicare+ Choice program in communities where reimbursement rates are lowest. For instance, patient care reimbursement rates are now \$814 for Staten Island, but only \$430 for Albuquerque; \$794 for Dade County, but only \$445 for Portland, Ore., and Des Moines; \$702 for New Orleans, but only \$471 for Omaha.

“Unfortunately, the higher rates enjoyed by Los Angeles and Staten Island are not enjoyed by the majority of the country, even though health care providers in New Mexico or Iowa are required to provide the same level of care and benefits for nearly half the reimbursement,” Domenici said.

Last year, Congress provided an additional \$2 billion to help maintain the viability of the Medicare+ Choice program.

The following is a brief summary of the Domenici-Wyden **Medicare Geographic Fair Payment Act of 2000**:

The Bill seeks to create greater equity for Medicare+ Choice payments among different regions of the country by creating new minimum payment rates. It would also make traditional fee-for-service Medicare more equitable by reforming the wage index for inpatient hospital payments.

Establish a Payment Floor for Low Cost Urban Areas

< A new minimum payment floor of \$525 would be established in 2001 for all

counties in Metropolitan Statistical Areas (MSAs) with populations exceeding 250,000.

Increase the Payment Floor for Rural Areas

- < The minimum payment floor for all other counties would be raised from the current \$415 to \$475 in 2001. The increase would primarily benefit rural areas.

Correct the Hospital Wage Index to Benefit Low-Cost Regions

- < The geographic wage adjustment to Medicare inpatient hospital payments is intended to reflect local labor costs.
- < However, it is currently applied to a blanket percentage (71 percent) of all hospitals' costs, rather than to the share of each hospital's costs that actually are labor costs (which is often only 50-60 percent for hospitals in rural and small urban areas).
- < In low-cost areas where the wage index adjusts payments downward, the reduction may therefore be applied to a much greater share of a hospital's costs than necessary.
- < The provision would correct this anomaly by requiring the wage adjustment only be made to each individual hospital's actual labor costs.